

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
AUGUST 2015**

**CON REVIEW C-NIS-0615-011
HATTIESBURG CLINIC PROFESSIONAL ASSOCIATION
OFFERING OF DIAGNOSTIC IMAGING SERVICES OF AN
INVASIVE NATURE, INCLUDING DIGITAL SUBTRACTION
ANGIOGRAPHY (DSA) SERVICES
CAPITAL EXPENDITURE: \$584,344
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Hattiesburg Clinic Professional Association (HCPA) is a Mississippi corporation, and the largest multispecialty medical clinic in the state of Mississippi. Hattiesburg Clinic Professional Association is a physician-owned group practice with over 300 physicians and providers caring for more than 500,000 residents of South Mississippi. HCPA is governed by a fourteen-member Board of Directors and has a certificate of good standing from the State of Mississippi's Secretary of State Office.

B. Project Description

Hattiesburg Clinic Professional Association requests Certificate of Need (CON) authority to establish diagnostic imaging services of an invasive nature, including digital subtraction angiography at its main clinic in Hattiesburg. The applicant states that vascular surgery department of the HCPA intends to expand its second floor clinical office space to create an office-based endovascular lab. This project will involve renovation of 2,256 square feet of existing office space to accommodate patient preparation, procedural and recovery areas in comfort and privacy. HCPA asserts that the physicians will be performing diagnostic imaging procedures of an invasive nature, utilizing a C-arm fluoroscopy with ultrasound capabilities, to diagnose and treat anomalies and blockages of the peripheral vascular system. HCPA's patients will either be given local anesthetics or IV conscious sedation drugs. There will be no general anesthesia employed. The DSA procedures will be done by physicians of the HCPA as an extension of their practice.

The applicant submits that the final objective for the project is to provide timely, appropriate, safe and efficacious care in a cost-efficient setting without the expensive facility charge of an acute care setting.

The project will require 5.0 full time equivalents (FTE) personnel at an estimated cost of \$362,086 per FTE the first year (for project only).

The total proposed capital expenditure for this project is \$584,344 and will be financed with cash reserves. The applicant projects that the project will be completed and the capital expenditure will be obligated upon CON approval.

The MSDH Division of Health Facilities Licensure and Certification has approved the site for the proposed project at the Hattiesburg Clinic Professional Association.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Section 41-7-173, 41-7-191 (1)(d)(vii), and 41-7-193 of the Mississippi Code of 1972, Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health.

In accordance with Section 41-7-197(2) of the Mississippi Code 1972, Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on September 8, 2015.

III. CONFORMANCE WITH THE STATE HEALTH PLAN AND OTHER ADOPTED CRITERIA AND STANDARDS

A. State Health Plan (SHP)

The *FY 2015 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving CON authority for offering of diagnostic imaging services of an invasive nature, i.e. invasive digital angiography, if those services have not been provided on a regular basis by the proposed provider of such services within the period of 12 months prior to the time such services would be offered. This application is in substantial compliance with the applicable criteria stated in the *Plan* as follows:

SHP Criterion 1 - Need

The applicant for DSA services shall demonstrate that proper protocols for screening, consultation, and medical specialty backup are in place before services are rendered by personnel other than those with specialized training.

Hattiesburg Clinic Professional Association is not a current provider of DSA services. The applicant submits that the proposed diagnostic imaging services of an invasive nature will be performed directly by three board-certified fellowship-trained vascular surgeons from the Hattiesburg Clinic Professional Association's department of vascular surgery. The applicant states that patients will be examined clinically by the surgeons prior to any decision to intervene invasively, and will be assessed as to the

safest and most effective location to carry out their subsequent treatment. If the decision is deemed appropriate for the office-based lab setting, the surgeon will performing the procedure directly, and he or another surgeon will be present in the office during recovery.

According to the applicant, utilization projections for this proposed service are base, in part, on the historical DSA caseload of the vascular surgeons at HCPA.

SHP Criterion 2 - CON Approval/Exemption

Hattiesburg Clinic Professional Association recognizes that CON approval is necessary before DSA services may be provided, and asserts that it will not provide DSA services until CON approval is obtained.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2011*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria contained in the manual.

GR Criterion 1- Consistency with the *State Health Plan*

The project is in substantial compliance with all criteria, standards, and policies of the *FY 2015 Mississippi State Health Plan* applicable to the offering of digital subtraction angiography services.

GR Criterion 2 – Long Range Plan

The applicant states that the HCPA is committed to providing services in the outpatient setting. The asserts that the philosophy of the clinic is to continue to offer the office-based endovascular laboratory and to provide access to high-dollar, advanced technology services in the least costly setting possible to the patient and payers. The applicant believes that recruitment/retention of vascular surgeons in south Mississippi is a crucial element of long range planning for the area health care systems, as well as the HCPA, and the proposed project supports that goal.

According to the applicant, the project will complement and enhance The Mississippi Limb Salvage Center, a program of the HCPA's vascular surgeons that is dedicated to early diagnosis and intervention of diabetics and others lower limb circulatory problems.

GR Criterion 3 – Availability of Alternatives

According to the applicant, two other alternatives to the proposed project were considered as following:

Alternative #1: Hattiesburg Clinic Professional Association considered continuing to deliver services at area health system hospitals. The applicant rejected this alternative due to scheduling capacity restraints for existing hospital based vascular lab, plus it is more costly for patients and third party payers.

Alternative #2: HCPA considered adding a suite to its ambulatory surgery center. The applicant rejected this alternative because of unnecessary costs from rendering services in a sterile rather than a clean environment, which would be an unnecessary cost to the patient and payers.

Hattiesburg Clinic Professional Association selected the proposed project because it is the least costly alternative. The applicant asserts that for the patients, there will be quicker scheduling times, lower overall costs, and there will not be delays in the suite due to intermingling of the schedule with more critical patients.

GR Criterion 4 - Economic Viability

Based on the income statement contained in the application, the project will be economically viable. HCPA projects net income of \$216,285 the first year, \$365,674 the second year, and \$392,310 the third year of operation.

The applicant asserts that proposed charges will be based on the same reasonable cost-to-charge mark-up methodology that the HCPA has utilized over the course of its 52-year existence. The applicant further states that based on analysis of Medicare office-based fees compared to area hospital outpatient fees for DSA procedures has led the applicant to conclude that there may be a 30-40 percent reduction in overall costs to patients and third party payers.

Hattiesburg Clinic Professional Association projects to perform approximately 226 DSA services in the first year with that number increasing to 328-342 procedures in the second and third year of operation.

The applicant states that according to the *2015 State Health Plan*, there were a total of 42,885 DSA procedures statewide; with a state 2020 population of 3,156,054 that equates to a DSA usage rate of .0136 or 136 procedures per 10,000 population. GHSA 8 has a population of 312,631. After multiplying the usage rate times GHSA 8 population, the applicant projected that there will be a need for 4,251 DSA procedures for the residents of GHSA 8 by 2020. The applicant believes that it will help meet that growing need in GHSA 8. Further, HCPA submits that the capacity to

meet the referenced need for DSA procedures in GHSA 8 does not currently exist within the service area health care system of hospitals and clinics.

GR Criterion 5 - Need for the Project

According to the applicant, the proposed project will offer more scheduling flexibility and shorter wait times with an office-based endovascular laboratory, improve access to care to people who have transportation or other accessibility issues. The applicant believes that proposed project will provide care to low-risk patients in a more cost-effective setting, free up capacity for hospital-based DSA services to be provided for higher risk patients, who often require open or hybrid reconstructions in a hybrid operating room setting; reduce costs and free up the growing congestion of fluoroscopic resources at area health system hospitals located in GHSA 8.

The applicant states that there is no similar office-based endovascular lab offering DSA within GHSA 8.

The application contains 34 letters of support from physicians in GHSA 8 for the proposed project.

GR Criterion 6 - Access to the Facility or Service

Hattiesburg Clinic Professional Association affirms that all residents of the health planning service area, hospital service area, patient service area, including Medicare, Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly will have access to the proposed services.

The applicant asserts that it will continue its long-standing policy in servicing the medical needs of Medicare, Medicaid and medically indigent patients. The proposed project will increase the speed of access to care, and provide a dignified, patient-centric, delivery of care.

The applicant projects \$15,692,069 in gross patient revenue from medically indigent care patients in projected year 2015 and \$16,005,910 in projected year 2016 for the proposed project.

According to the applicant, as a private physician-owned enterprise, the HCPA's provision for uncompensated care and bad debt was \$15,384,381, or approximate 4.6 percent of net patient services revenues, in FY 2014, and future projections are based on maintaining the 4.6 percent rate.

GR Criterion 7 - Information Requirement

The applicant affirmed that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

Hattiesburg Clinic Professional Association is located in General Hospital Service Area 8. The applicant believes that the implementation of this project will assist primary care physicians throughout GHSA 8 in gaining quicker and less cost-prohibitive access to diagnostic and interventional services for their patients with circulatory issues.

There are three providers currently offering digital subtraction angiography services in GHSA 8 and they are as follows: Forrest General Hospital, Hattiesburg, South Central Regional Medical Center, Laurel and Wesley Medical Center, Hattiesburg, Mississippi. These providers performed 1,839 digital subtraction angiography procedures in FY 2013.

The applicant believes that if this project is not approved, the area healthcare system hospital where the HCPA's vascular surgeons have privileges, Forrest General Hospital, may have to use capital funds to budget and acquire an additional imaging suites, which will have DSA and ultrasound capabilities for use by the surgeons.

HCPA states that the standard of care for vascular surgeons is moving rapidly toward office-based procedures, and the absence of this office-based service will result in great difficulty for both the Clinic and area healthcare system facilities to recruit and retain qualified vascular surgeons for GHSA 8. The project is not expected to have an adverse effect on other health care providers in GHSA 8.

The Department received no letters of opposition concerning the proposed project.

GR Criterion 9 - Availability of Resources

According to Hattiesburg Clinic Professional Association, the region in which the Clinic resides possesses four schools of nursing within a 30-mile radius, and sufficient resources exist from which to recruit specialized staff, both from within and outside the Clinic to work with four physician members of the department of vascular surgery, once positions are posted.

GR Criterion 14 - Construction Projects

This project does not require new construction. The proposed project involves renovation of existing space only.

GR Criterion 16 - Quality of Care

Hattiesburg Clinic Professional Association believes that the proposed project will elevate the quality of care for patients that will need diagnostic imaging services of an invasive nature, improve access to care, offer cost-effective care, and increase patient satisfaction.

IV. FINANCIAL FEASIBILITY

Capital Expenditure Summary

The total estimated capital expenditure is allocated as follows:

	Item	Cost (\$)	Percent (%) of Total
a.	Construction Cost -- New	0	0
b.	Construction Cost -- Renovation	\$104,012	17.80
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost ¹	426,808	73.04
e.	Total Non-Fixed Equipment Cost	35,842	6.13
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	7,281	1.24
i.	Contingency Reserve	10,401	1.79
j.	Capitalized Interest	0	0
j.	Legal and accounting fees	0	..0
k.	Other	<u>0</u>	<u>0</u>
	Total Proposed Capital Expenditure	<u>\$584,344</u>	<u>100.00</u>

The above capital expenditure is to renovate the existing facility to accommodate the proposed project (2,256 square feet), and the purchase of angiographic equipment. Based on the formula listed in the *FY 2015 MSHP*, staff determined that the renovation cost per square foot is \$243.13. *RSMMeans Building Construction Cost Data 2014 Edition* does not compare costs of renovation projects.

Method of Financing

To fund the project, Hattiesburg Clinic Professional Association will use cash reserves in the amount of \$584,344.

C. Effect on Operating Cost

The Hattiesburg Clinic Professional Association’s three-year projected operating statement is presented at Attachment 1.

D. Cost to Medicaid/Medicare

The applicant projects the cost to third party payors as follows:

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	78	\$ 2,043,888
Medicaid	15	392,000
Commercial	8	199,015
Self Pay	0	0
Charity Care	0	<u>0</u>
Other	<u>0</u>	<u>0</u>
Total	100*	\$ 2,634,903

*NOTE: Percentage is off by 1 percent due to rounding.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment; the Department has not received a letter of comment on the proposed project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the provision of digital subtraction angiography services contained in the *FY 2015 Mississippi State Health Plan*; the *Mississippi Certificate of Need Review Manual, 2011 Revision*; and duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by Hattiesburg Clinic Professional Association for the offering of diagnostic imaging services of an invasive nature, including digital subtraction angiography (DSA).

Attachment 1

Hattiesburg Clinic Professional Association Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient			
Outpatient	\$ 2,634,903	\$ 3,596,105	\$ 3,739,950
Gross Patient Revenue	\$2,634,903	\$ 3,596,105	\$ 3,739,950
Charity Care	0	0	0
Deductions	1,458,903	1,991,105	2,070,750
Net Patient Revenue	\$ 1,176,000	\$ 1,605,000	\$ 1,669,200
Other Operating Revenue	0	0	0
Total Operating Revenue	\$ 1,176,000	\$ 1,605,000	\$ 1,669,200
Expenses			
Operating Expenses:			
Salaries	\$282,880	\$ 336,366	\$ 343,093
Benefits	79,206	94,182	96,066
Supplies	266,000	386,000	401,440
Services	28,288	33,637	34,310
Lease	0	0	0
Depreciation	68,141	68,141	68,141
Interest	0	0	0
Other	235,200	321,000	333,840
Total Expenses	\$ 959,715	\$ 1,239,326	\$ 1,276,890
Net Income (Loss)	\$ 216,285	\$ 365,674	\$ 392,310
Assumptions			
Inpatient days*	0	0	0
Outpatient days*	0	0	0
Procedures	226	328	342
Charge/outpatient day	0	0	0
Charge per inpatient day	0	0	0
Charge per procedure	\$5,204	\$4,893	\$4,881
Cost per inpatient day	0	0	0
Cost per outpatient day	\$4,247	\$3,778	\$3,734